

The Loan Arranger

Winter 2003

Revolving Loan and Operator Certification Section
Environmental Science and Services Division
Michigan Department of Environmental Quality 

Colon Makes Its Mark

by David J. Worthington

Imagine a town being named after a punctuation mark. This is what happened to the village of Colon in St. Joseph County. A surveyor was laying out lots in the area in 1831 and wished to give the village a name but could not find one to suit. He finally took up an old dictionary and the first word he saw was "Colon." Colon has made its mark in a number of other ways, too. For example, the village has attracted several unique businesses, including a 600-seat opera house built in 1897 and a glove and mitten knitting factory. In 1927, the Blackstone Magic Company was established, and this was followed by the present-day Abbott Magic Company. Every August, Colon is the focus of international attention as the Abbott Company hosts a four-day convention featuring seminars, demonstrations, and public performances by some of the world's leading illusionists. Hence, the village has been appropriately dubbed, "the Magic Capital of the World."

A different sort of magic occurred in June 2000. Colon was tendered for a \$2,085,000 loan at 2.5 percent interest from the DWRF, a \$2,000,000 grant/loan from the U.S. Department of Agriculture/Rural Development program, and a \$300,000 Community Development Block Grant from the MEDC. These three financing mechanisms allowed the village to significantly upgrade its water system. Improvements included the replacement of undersized water mains, construction of a new 300,000-gallon elevated water storage tank and the demolition of the old tank, a test/production well and the erection of a wellhouse, installation of water meters at all residences, and looping the water system to provide better reliability. By all accounts, the project has been a resounding success, and that's no illusion. Congratulations to the village of Colon!

Clean Water Needs Survey

by Martha Waszak

The Revolving Loan and Operator Certification Section is requesting assistance in documenting monetary needs for point source, nonpoint source and estuary water quality protection and enhancement projects. The information collected will be provided to the United States Environmental Protection Agency for inclusion in the 2004 Clean Water Needs Survey (CWNS), which is conducted every four years and submitted in a report to Congress.

The CWNS is conducted to assess needed water pollution control facilities in all 50 states and U.S. territories. The survey includes detailed estimates of the capital costs eligible for funding under the State Revolving Fund (SRF) program established by the 1987 Amendments to the Clean Water Act. The CWNS includes publicly owned, municipal wastewater collection and treatment facilities, facilities for the control of combined sewer overflows, activities designed to control storm water runoff and activities designed to control nonpoint source pollution.

At issue is the allocation formula used by Congress to distribute SRF funding among the states. It is important to provide a comprehensive and accurate account of Michigan's clean water needs. This may help to secure adequate funding for implementing solutions to water pollution problems. To this end, the Revolving Loan and Operator Certification Section will be surveying sewerage authorities, municipalities and engineering firms to request updated and accurate information on anticipated clean water projects, even if they are not applying for SRF funding.

For more information on the Clean Water Needs Survey or to be sure your project is included, please contact Michigan's CWNS Coordinator, Martha Waszak, at 517-335-4112, or waszakm@michigan.gov

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Michigan Department of Environmental Quality

**Michigan Municipal Bond Authority (MMBA)/
Michigan Department of Environmental Quality (MDEQ)
2004 FINANCING SCHEDULE
for the State Revolving Fund (SRF), the
Drinking Water Revolving Fund (DWRF) and the
Strategic Water Quality Initiatives Fund (SWQIF)**

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Part I of Application Due	09/08/03	12/02/03	02/27/04	06/01/04
Part II Application Due FNSI Clearance Plans & Specs Approved User Charge System Approved	09/29/03	01/05/04	04/02/04	06/25/04
Bid Ad Placed No Later Than	09/27/03	01/03/04	04/03/04	06/26/04
Part III of Application Due Bid Data Submittal	11/12/03	02/17/04	05/19/04	08/12/04
DEQ Order of Approval Issued	11/25/03	03/09/04	06/08/04	09/02/04
Borrower's Pre-Closing with the Michigan Municipal Bond Authority (MMBA)*	12/08/03	03/15/04	06/16/04	09/13/04
MMBA CLOSING	12/18/03	03/25/04	06/24/04	09/23/04

*In addition to MMBA requirements, all municipal bond sales must be reviewed and approved by the Local Audit and Finance Division of the Michigan Department of Treasury.

AN APPROVABLE APPLICATION FOR AN SRF/DWRF LOAN MUST INCLUDE:

1. A completed SRF/DWRF/SWQIF application (Parts I, II, and III) including all required application information and assurances.
2. A detailed project description, cost breakdown, and project schedule.
3. Financial documentation to demonstrate ability for timely repayment of the loan and other assurances required by the application. (Part I)
4. If applicable, all executed intermunicipal service agreements. (Part II)
5. An approved User Charge System. (Part II)
6. An approved Project Plan. (Part II)
7. A set of plans and specifications suitable for bidding, including MDEQ construction permit. (Part II)
8. A certified resolution from the applicant designating an authorized representative. (Part II)
9. Verification that the project has been advertised for bids or other appropriate procurement action. (Part II)

New Loans Awarded

by Chip Heckathorn

The first quarter of Fiscal Year 2003 brought two new loan commitments from the State Revolving Fund (SRF) and one new commitment from the Drinking Water Revolving Fund (DWRF), totaling over \$73 million.

The SRF projects funded include a \$43,740,000 loan to the city of Detroit for another segment of its long-term combined sewer overflow control program. This loan will finance the completion of the Conner Creek Retention and Treatment Basin, which will address overflows into Conner Creek. The creek empties into the Detroit River on the city's east side near Maheras-Gentry Park. Grosse Ile Township also received a loan from the SRF, in the amount of \$19,715,000, for improvements and additions to its wastewater collection and treatment system. This represents the second of four anticipated loans to address sanitary sewer overflows within the township, which currently send raw sewage into the Detroit River during wet weather conditions.



A loan of \$9,600,000 from the DWRF was provided to the city of Fenton for drinking water system improvements encompassing a new treatment facility, the addition of another supply well, and improvements to its distribution system. The treatment facility will reduce arsenic concentrations to below the new drinking water standard and provide softening, while the new well and pipe improvements will restore the reliability of Fenton's system. These improvements will ensure system compliance with the requirements of the Safe Drinking Water Act.

The SRF and DWRF programs continue to represent a significant source of financial assistance available to local governments. Revolving funds continue to be the most effective means of providing assistance for critical water and wastewater infrastructure needs in Michigan.

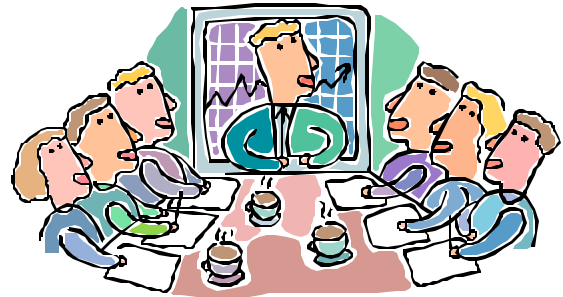
Deadlines for Submission of Project Plans for the Fiscal Year 2004 Project Priority Lists

Drinking Water Revolving Fund – Project Plans must be received in our office by close of business on May 1, 2003, OR postmarked no later than that date.

State Revolving Fund – Project Plans must be received OR postmarked no later than July 1, 2003.

Public Participation Requirements

Loan applicants are reminded of the need to satisfy public participation requirements for their project planning efforts. A public hearing must be held prior to the adoption of the project plan. A 30-day notice public notice is required during which time the draft project plan is to be on display at a convenient local site. A verbatim transcript of the public hearing is required for an SRF Project Plan. For a DWRF project plan, a verbatim transcript OR a tape recording will satisfy the requirements. The final project plan must include the transcript or recording, an attendance list, copies of written testimony received, the applicant's response to any issues raised, and resolutions adopted by the participating municipality or municipalities to implement the selected alternative.



Bring Bond Counsel on Board Early

Many lessons have been learned in the 15 years that have passed since the birth of the State Revolving Fund. Possibly none have proven more critical, however, than the importance of getting local bond counsel involved **early** in the project.

How early? Evaluations conducted and decisions made during project planning will in part be decided by which mechanisms will be used to generate funds to pay debt retirement. Will there be special assessments? Will system revenues be used to retire debt? Are connection fees or tap-in charges going to be relied on? Is the applicant counting on tax revenue to repay the loan? It is important to ensure that during project planning all options be fully explored, informed decisions made, and the public adequately informed how revenues will be generated.

It is also important to realize that the local bonds will have to be sold under specific statutory borrowing authority. Many of these laws have public notice/right of referendum periods that will have significant impact on intended project schedules. Project financing could suffer serious delays if required notice processes are not started early.

Call your local bond counsel early and often.

Discount Rate Set for Fiscal Year 2003

The Environmental Protection Agency has set the discount rate for Fiscal Year 2003. For project planning that begins on or after October 1, 2002, a discount rate of **5 7/8 percent** (0.05875) should be used. This rate is ¼ point below that used for planning that began in Fiscal Year 2002, and continues a trend of decreasing rates that started in 1990.

Remember, this is NOT a rate that should be used to calculate debt retirement needs (2.5 percent, the loan rate for the SRF and DWRP does that), but rather is used in cost-effective analyses to "bring" future expenditures back into today's dollars for total present worth or equivalent annual cost comparisons.

New Well Construction Guidance by Wendy Jansma

A review of procedures for new well construction resulted in a major clarification to our DWRP Project Plan Preparation Guidance in October 2002. A new section has been added to the guidance (Selected Alternative – IIIC), which provides information to address the interface of new well construction in the DWRP program with our existing state environmental review process. **Careful and timely adherence to these procedures will greatly minimize the chances of project delays and the potential exclusion of project costs from funding.**

For a project involving construction of a new supply well, the activities associated with the drilling may constitute a major part of the disruption anticipated to occur at the site. Consequently, prior to the drilling of the large-diameter test well and observation wells, water suppliers **MUST** obtain reviews and clearances from the following agencies:

- US Fish & Wildlife Service
- DNR Michigan Natural Features Inventory (Wildlife Division)
- State Historic Preservation Officer
- DEQ Geological and Land Management Division

An approval to drill a test well from your district engineer does NOT address the clearances that are required to verify that the resources regulated by these agencies will not be adversely impacted by the drilling activities. Any drilling activities initiated ahead of obtaining the required clearances will render all costs associated with the test/

production well ineligible for funding under the DWRP program.

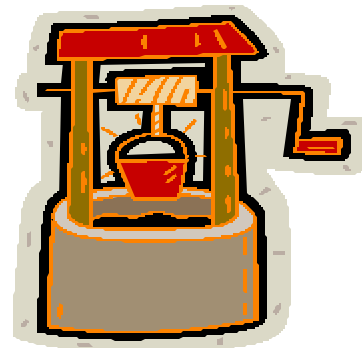
A DWRP program applicant should plan on 45 days for the reviews to be completed. If there is more than one site being considered, clearances for multiple sites should be requested concurrently. Information regarding environmental reviews can be found in the Project Plan Preparation Guidance in the following attachments.

Attachment A – Applicant Actions Related to Project Planning

Attachment B – Information Needed for a State Historic Preservation Office Project Review

If surveys (wetlands, archeological, biological/botanical) are needed to fully assess the presence of environmentally sensitive areas, special attention should be paid to the time of year the surveys need to be done to correlate the required clearances with the milestone deadlines in the desired funding quarter.

In addition to the time required for environmental clearances, your schedule will also need to include sufficient time to complete the hydrogeological analysis on the test well and to accommodate its review and approval by the Groundwater Section of the Water Division. As the hydrogeological analysis is necessary to confirm the suitability of the site for a production well, its approval must occur prior to our publication of the environmental assessment and approval of the project plan. It is estimated that the well approval process, starting with the initial environmental contacts and culminating in the issuance of an Act 399 permit for the production well, can consume six months. Applicants should plan accordingly so that desired construction start dates can be met.



Annual Reports

The Fiscal Year 2002 Annual Reports for the State Revolving Fund and Drinking Water Revolving Fund are now available. You can check them out on our website at www.michigan.gov/deq, or call us at 517-373-2161 to have a copy mailed to you.

Making Tracks

Departures: Southbound

After 3 ½ years of dedicated work in the Michigan SRF/DWRF programs, Ms. Neisee McArthur-Williams has taken a leave of absence from state service. She is moving south to keep pace with her husband Chris' engineering assignment with a major automotive company, and although they will now at least get to enjoy some warmer weather together, we are very sorry to see Neisee leave our staff. We wish Neisee and her husband well in their new adventure.



Arrivals: Westbound into Lansing Station

We are pleased to welcome Mr. Jonathan Berman, who has joined the Revolving Loan and Operator Certification Section as our newest project manager. Jonathan recently graduated from the University of Michigan-School of Natural Resources and the Environment. His background in environmental policy and science, including internships and work in both government and private agencies, will quickly be put to good use as he picks up his SRF/DWRF workload.

New Governor – Ms. Jennifer M. Granholm
New DEQ Director – Mr. Steven E. Chester
New Environmental Science and Services
Division Chief – Ms. Amy A. Butler



Where did the Municipal Facilities Section go?

Who? The Municipal Facilities Section (MFS) has recently been given a new name.

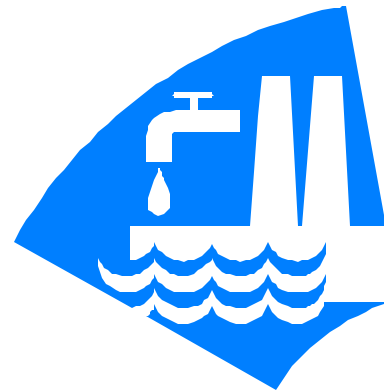
What? MFS has been renamed the **Revolving Loan and Operator Certification Section**. Does this mean no more calls regarding city buildings? Only time will tell.

The East Unit will now be known as the Project Management Unit – East, and similarly the West Unit will be renamed the Project Management Unit – West. The Technical Assistance Unit remains intact, with the same name. The Operator Training Unit will be known once again as the Operator Training and Certification Unit.

When? Immediately.....the changes were approved March 2003.

Why? To better identify the services and programs handled by the section. Note: The Operator Training and Certification Unit joined this section during the restructuring last September.

Where? Actually, we have moved again. Same building, Constitution Hall, 525 W. Allegan, Lansing, but a different floor. We are now located on 3rd Floor, South Tower.



**If you want it...here it is...call and get it....but
you better hurry cause it's going fast....**

If you know someone who would like to be added to *The
Loan Arranger* mailing list, or have an address change,
please e-mail the acting editor, Carla Winegar, at
winegarc@michigan.gov

The Loan Arranger

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